

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
801 West Badger Road
Madison, WI 53702**

CORRESPONDENCE MEMORANDUM

DATE: November 25, 2002

TO: Employee Trust Fund Board Members
Teachers Board Members
Wisconsin Retirement Board Members

FROM: Shelly Schueller
Office of the Secretary

SUBJECT: Final Proposed Variable Participation Administrative Rule

This memo summarizes the key clarifications and changes to the administrative rule regarding participation in the variable division of the trust fund, s. ETF 10.30. This proposed rule would consolidate all variable division-related administrative rules in s. ETF 10.30.

The scope statement for this rule was approved at the December 2001 Board meetings. It was submitted to the Legislative Clearinghouse on October 10, 2002, and was published in the Wisconsin Administrative Register #562 on November 1, 2002.

The Legislative Clearinghouse recommended no major substantive changes to the draft administrative rule. The minor recommendations on form and style, reference, and clarity that were suggested have been implemented and are reflected in the attached proposed draft.

A public hearing was held on November 19, 2002. No persons appeared at the public hearing or submitted written comments.

I will present this proposed administrative rule to you at your December meetings and will be available to answer any questions you may have.

Recommendation

Adopt rule with Legislative Clearinghouse revisions, as presented. If adopted, ETF staff will prepare rule and submit it to the Legislature for promulgation.

Highlights of ETF 10.30 Variable Division Participation
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ETF 10.30 (1) Purpose

This subsection provides the purpose of the rule and defines “new participant” for variable election purposes.

ETF 10.30 (2) Eligibility and effective dates of participation

Under this subsection, participants may elect to participate in the variable division of the trust fund by submitting an election on a form provided by the Department. The election is effective for future contributions on the first January 1 following the Department's receipt of the election.

ETF 10.30 (3) Variable participation for new participants

This subsection states that variable participation is retroactive to a new participant's WRS coverage begin date if the Department receives the election no later than 30 calendar days after the coverage begin date. Otherwise, variable participation begins on the first January 1 following the Department's receipt of the election.

ETF 10.30 (4) Retroactive contributions

This subsection clarifies that the Department will credit retroactive interest contributions for late-paid earnings at the fixed division rate, and that late-paid and other retroactive contributions will be deposited in a participant's account according to the participant's variable participation status at the time the contributions are deposited.

ETF 10.30 (5) Terminating participation in the variable division

This subsection:

- Defines how a participant may elect to end participation in the variable division and when the election becomes effective.
- Permits participants who change their mind about terminating variable participation to rescind their termination election if the Department receives a written request to rescind the variable cancellation before the cancellation would otherwise become effective.
- Clarifies that participants who cancel variable participation are not eligible to re-elect variable participation unless they cease being a participant by closing their account (taking a lump sum benefit) and subsequently becoming a new participating employee.
- Clarifies that if a participant submits multiple variable cancellations to the Department during a single year, the last election received will supercede all previous elections and will be applied to the account.
- Clarifies that elections to terminate variable participation received by the Department after the date of a person's death are invalid.
- Clarifies that if a person has multiple variable accounts and/or annuities, unless a person specifies the account for which they are cancelling variable participation, variable participation will be cancelled for all of the individual's accounts. Examples of multiple accounts could include a participant account and/or one or more of the following accounts: alternate payee, named survivor, and beneficiary.

ETF 10.30 (6) Rights of beneficiaries, alternate payees and named survivors

This subsection establishes the variable participation rights of alternate payees, beneficiaries and named survivors. Although these individuals may not elect to participate in the variable division, they can elect to terminate participation. This subsection also defines how multiple beneficiaries of a single non-annuitized account may jointly elect to terminate variable participation.

ETF 10.30 (7) Incomplete elections

This subsection describes what constitutes a complete variable election: name, Social Security number and signature of the participant as well as the name, Social Security number and signature of the person making the election.

ETF 10.30 (8) Receipt dates

This subsection states that elections may be faxed to the Department and defines receipt deadlines.